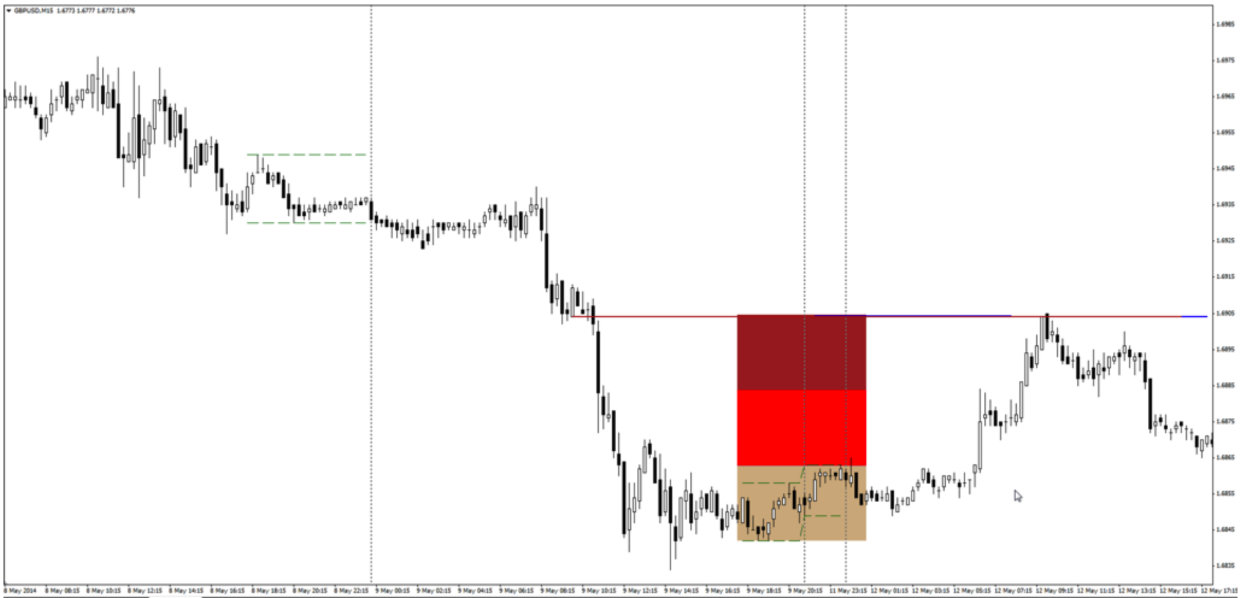
Live Session 2014-05-14

Thursday, June 5, 2014 9:14 PM

- Usually the Cable and Fiber move in tandem, but sometimes there is a crack in that correlation and one will refuse to follow the other for a short period of time.
- 2 standard deviations of the central banks dealing range is uniform. It is what we pretty much expect in terms of a Judas Swing out of the Asian range. It gives you an overbought and oversold indication for the day.
- Each session high and low is important.
- The image below shows 2 standard deviations of the CDR converging with OTE from a previous session high. This lead to a nice short trade.



- In the 2 standard deviation box we are really considered overbought with the expectation of it being a fake price swing.
- We want to see the order blocks contained within the OTE Fib area. That is the optimal setup.
- When there are 2 potential order block candles that you are looking at, you want to use the one that is closest to where price currently is as your minimum threshold.
- You do not want wicky order blocks. You want them to be nice bold candles.
- Below is OTE converging with 2 standard deviations and a bearish order block. Note the CDR uses both Friday and Sunday.



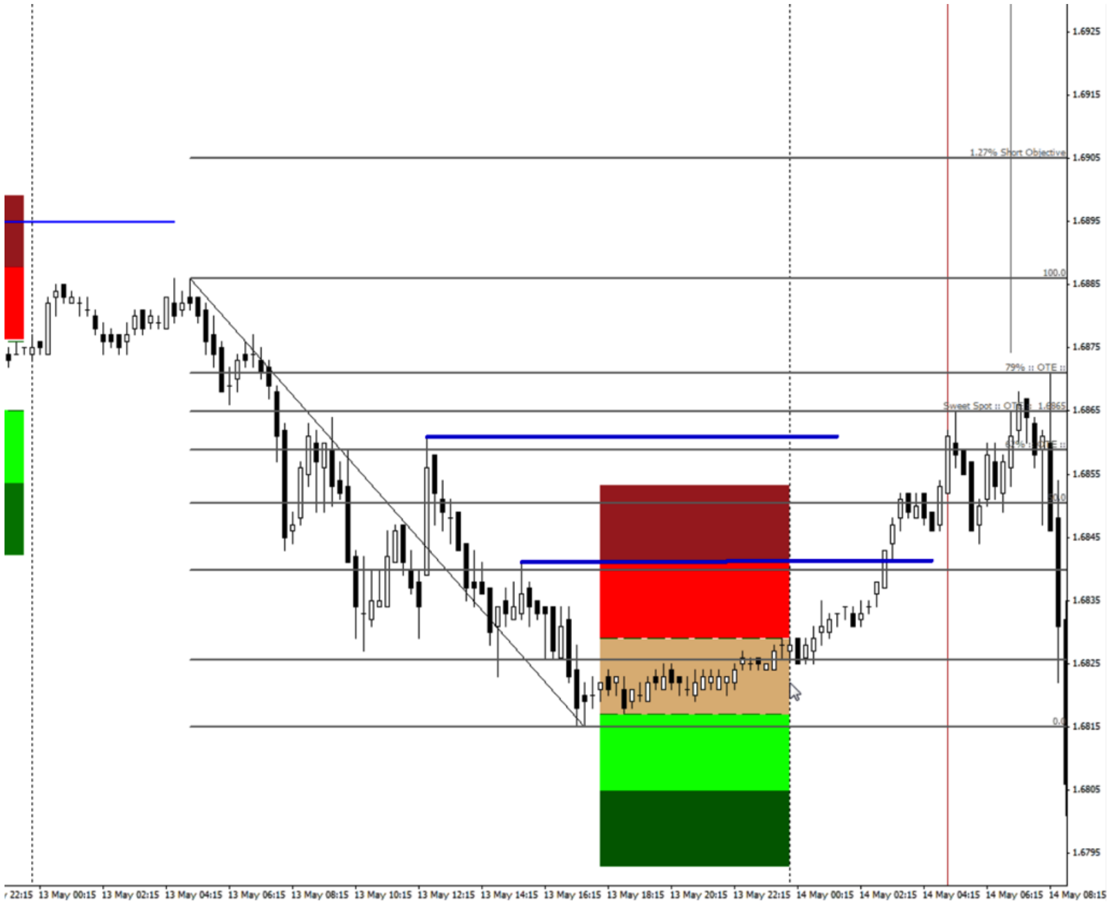
What goes on in the central banks dealing range (or CDR)?

- A fractal is any pattern that you can see on any time frame.
- From 18:00 GMT to the beginning of the new day, generally price action is very quiet **UNLESS** there is an interest rate or FOMC announcement.
- ICT does not draw standard deviations on his chart all the time. He is only drawing them to give a graphic depiction of what he sees on the chart without actually having them there.
- We will never know how many orders are resting above and below the market.
- What is above and below the market will cause the market to go to that level to find liquidity.
- When price moves away after bouncing at an anticipated order block that is confirmation that our expectations are accurate. It will then make one more run as a fake out to form an OTE and that's where you can get in.



- Most of the time, the first move out of the London session is a false move.
- If we are in a bearish market where you anticipate the market to make a high that you can sell into and we drop down initially out of the Asian range it will usually go down and then go up above the range 1 standard deviation. If it goes up out of the Asian range initially then it will usually go 2 standard deviations. This is classic, study it.
- If price is reacting strongly at certain levels that is telling us that the institutional traders are tipping their hand to us.
- A strong price action trader will blow away an automated system any day.

- You need a very rigid approach to rules otherwise you will deviate. If you are questioning whether or not what you are doing is within the rules, then it is probably not within the rules.
- Until you do the same thing every single day, you will not know what your strengths and weaknesses are.
- You will never trade effectively if you are lazy and if you do not put in the work. If you don't put work into studying this stuff, then don't blame anybody else but yourself.
- Every single day you look for the same things over and over again.
- Don't hinge your whole career on one trade.
- Trading is so rewarding if you put in the time & effort needed to be successful.
- Going into a trade you want to be thinking how you can keep the risk available in the trade to a bare minimum, but still be able to let the market wiggle around and not trip you out prematurely. Do not be thinking how much money you can get the trade to pay you.
- For trading the S&P 500 you want to compare the S&P 500, Dow Jones, and Nazdaq and you need to have a premise if we are in a bullish or bearish environment because that will give you the framework of what to expect from the opening price. If you are bullish and price moves down from the opening price then you will wait for one of the 3 indexes to fail to make a lower low. When this happens you know the move down from the open is over and you can get in and expect prices to rally.
- The S&P 500 is usually split into 3 segments: the morning trend, stop & pause into the lunch period, and then the afternoon trend. The afternoon trend is usually a continuation of what you saw in the morning trend. S&P 500 trading is pretty simple.
- There is a very strong correlation between the Australian Dollar and the S&P500.
- You have kill zones in which trades are acceptable and you have sweet spots within those kill zones in which trades are optimal.
- You need to be marking up your chart with the standard deviations and where stops are likely resting in the market place so that you know what you are looking for. Doing this will prove that you are not lazy at the charts. If you are looking at your charts and you don't know what you are doing, you are wasting your time.
- ICT rarely takes the initial trade that would have the ideal risk. He usually waits for a rejection and then enters on a small time frame OTE. He said he has maybe taken 50 of those.
- A new day brings us into a new trading event.
- The standard deviations help you decipher if the move out of the Asian range is a false move or not. If it stays within 2 standard deviations it could still be a false break.
- Having a combination of a lot of factors backing up your trade increases your probabilities exponentially.
- **London open setups do not happen every single day. Especially based on the rules we require for a trade. There are maybe 2-3 every single week. These days of the week are likely to be Tuesday, Wednesday, and Thursday.**
- **Monday's and Friday's are low probability trading days because we want to see the move (judas swing) set up for the weekly range on Monday.**
- A lot of people sit on the fence on Monday because they want to see what is setting up. That may be the psychological mindset that is framing the weekly range concept.
- We should also be waiting to see what sets up Sunday through Monday. There is no rush to get in the market right at the beginning of the week.
- We want confluences of order block, Fib, time of day, and judas… that would be a precursor for taking a London open setup.
- A lot of times you want the judas swing to go further in order to entice you to actually take a trade.
- If you can't get yourself up to trade London don't beat yourself up about it. You can do all kinds of trading in the New York session. You will give up a lot of the daily range but you really don't need to have a whole lot of the range. You just need a small little consistent segment of it over a period of time and you can do wonders with that.
- When we are trading into the standard deviation zones we want to be asking ourselves where we are at in the range and where the stops are. We also want to know where the order blocks are.
- In the image below we have mapped out the standard deviations from the CDR. We have also mapped out the swing points that may have stops resting above them. Finally we have mapped out the Fib from the previous day's high to the previous day's low and see that OTE is lining up with stop placements and is still within the 3 standard deviations. All these factors show that it could still be a judas swing and good short opportunity. Nothing discernible was within the second deviation so that's when we can start expecting price to reach to the 3rd standard deviation:



- There are times where you will get 3 standard deviations of the CDR. It's rare, but it will happen. If it does go 3 standard deviations you will probably get a strong reaction.
- If price is going to get to that swing high that the top blue line is drawn from, it is most likely going to sweep above it because there will be stops up there.
- When you are bearish and you see price rally up after 5:00 GMT you **never** chase that.
- Killing ground is based off price. Kill zone is based off time.
- You always want to know what price is doing at different times of the day on the average.
- If you follow what's going on in the S&P500 it will be very telling of what's to come for the Australian Dollar.
- You want to go long when an L shape formation has formed. L for long:

